An Assessment of USAID's Global Development Alliances

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Assessment of USAID's Global Development Alliances

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Overview

USAID's GDA initiative, announced in 2001, actively promotes strategic alliances between USAID and private- and public-sector partners. These alliances serve as an important way of achieving U.S. Government development assistance objectives.

The GDA concept is well known and broadly accepted in the Agency. Its business model has been applied to USAID programs in all regions of the world. Successful GDA alliances exist, and significant activities have begun. Alliances that partnered producers and buyers along a supply chain—in timber, coffee, and cocoa—were particularly successful. Other promising partnerships were in information technology training and distribution of vaccines and treated bednets. A few high-profile partnerships between extractive industries and their local communities are progressing toward socially and environmentally responsible operations.

It will take time and effort to realize GDA's huge potential. USAID management discussed the findings and recommendations from this assessment and is collaborating to act on them. USAID will implement most assessment recommendations. The Agency will

- fully integrate GDA into standard Agency operations and planning
- develop a new procurement approach for GDA alliances
- improve monitoring and evaluation

Management supported the idea of moving away from Washington-based incentive funds. It will leave decisions on incentive funds to regional bureaus while maintaining a modest reserve fund in the GDA Secretariat. Findings from this assessment also include phasing out the GDA Secretariat and moving GDA functions from the Administrator's office to USAID bureaus. After reviewing various options, USAID management decided to maintain the current structure for the time being—until the GDA approach can be more fully mainstreamed within the Agency—and continue to provide the private sector with a one-stop entrance into USAID. Splitting GDA functions might undercut that objective.

The Need for Change

In the 1970s, 70 percent of resource flows from the United States to the developing world were from official development assistance and 30 percent were private. Today, 80 percent of resource flows from the United States to the developing world are private and 20 percent are public, underscoring the need to diversify development approaches. In response to the changing global environment, USAID's Global Development Alliance is an initiative designed to encourage public-private partnerships with for-profit companies, NGOs, foundations, and others. These alliance partners share risks, responsibility, joint planning and decision-making. This approach combines the complementary strengths of government, the private sector, and nonprofit organizations to broaden and deepen USAID's development impact.

Methodology

This assessment was coordinated by USAID's Office of Development Evaluation and Information (DEI). The GDA Secretariat and the Bureau for Asia and the Near East (ANE) were key participants. The assessment entailed over 60 interviews in Washington, D.C., and brief field visits to Ghana, India, Indonesia, Jordan, Mexico, Morocco, Peru, Philippines, Sri Lanka, and Zambia. With the exception of Morocco and Jordan (added for geographic balance), countries selected for field visits were those with the greatest number of alliances—a total of 50.

Working with missions, the assessment team selected a few alliances to be examined in depth. The team also used a web-based survey of randomly selected holders of USAID email addresses to capture data from missions not visited and not as

Key Ideas

- The Global Development Alliance (GDA) concept has been broadly accepted in the Agency. Its purpose is well known, there is broad acceptance of the value of partnering with the for-profit private sector, and there are successful examples of GDA alliances in all regions where USAID operates.

- Large alliances that engage the core business interests and senior managers of private-sector partners are more likely to have high impact and become sustainable.

- While useful in defining and promoting the GDA concept, the focus on leveraging resources should not overshadow the importance of targeting maximum development impact in the selection and design of alliances.

- Procurement and competition remain challenging issues. Negotiating alliances with the private sector and non-traditional partners is a dynamic process that requires flexibility, but many of the Agency's processes are rigid and slow. Accordingly, the Agency Procurement Office is working on new approaches to better support this model.

- Because alliances are new and complex, more attention should be paid to monitoring and evaluation to accelerate Agency learning.

- Written GDA agreements should set out planned development impacts and the roles, responsibilities, and contributions of partners. More focus is needed on such impacts and specific, local situations. Direct and honest communication about the objectives and motivations of each partner is required.

- The Agency is taking steps to better incorporate GDA into the Agency's mainline operations. These steps should include 1) emphasizing GDA in the joint strategic thinking of the Department of State and USAID, regional bureau strategic frameworks, and country strategic plans; 2) phasing out GDA incentive funds so that alliances compete for Agency resources on a level playing field; 3) phasing out the GDA Secretariat and relocating its key functions of advocacy and support to permanent USAID organizational structures; and 4) building up the Agency's capacity to provide technical support to missions developing GDA through recruitment, training, and advancement of GDA champions.

active in alliance building. The survey was anonymous, to encourage objective responses to the primary question: Have public-private alliances and strategic partnering permeated the Agency? The team also sought staff views on the appropriateness of USAID participation in public-private partnerships, and whether such partnerships add value to the Agency's programs.

A New Approach to Development

A Global Development Alliance is an initiative and business model designed to encourage public-private partnerships that more effectively achieve U.S. Government development assistance objectives. Recognizing that private for-profit companies and NGOs are significant participants in the development process, GDA brings new partners, new resources, and new approaches to international development. GDA involves, at a minimum, an equal ratio of partner and U.S. Government funds, shared risk and responsibility, and joint planning and decisionmaking. The initiative seeks to link the rapidly expanding stream of private financing to the U.S. Government's development assistance programming, thereby maximizing the impact of both. Each partner brings its own strengths to bear on development problems of common interest and concern.

USAID has a long history of working with partners—public and private, for profit and not-for-profit. But the GDA model is somewhat different. It was proposed in 2000 by career USAID employees preparing for the new administration. The concept, announced in 2001, was built around best practices of Agency partnering and the New Partnership Initiative. GDA was embraced by Administrator Andrew Natsios and Secretary of State Colin Powell. It is a new Agency tool for carrying forward the basic principles of the Monterrey Conference on Financing for Development. GDA also exemplifies USAID's response to objectives laid out at the World Symposium on Sustainable Development in 2002.

The Role of the GDA Secretariat

To advance GDA objectives and mainstream the business model throughout Agency operations, the GDA Secretariat was established as a temporary unit reporting to the USAID Administrator. Its small staff does not manage alliances. Instead, it

- offers outreach to prospective and current strategic partners
- provides in-house outreach and education
- addresses legal and regulatory issues, including due diligence examinations
- advocates reforms of policies and practices to support effective use of alliances
- manages the GDA incentive fund

The GDA incentive fund was established in FY 2002 with $20 million to finance startup alliances. Proposals for innovative public-private partnerships submitted to the GDA Secretariat were reviewed by a panel. One review criterion rigorously applied was that U.S. Government funds needed to be matched by private-sector resources. This was called a 1:1 leverage ratio. The fund supported several large, high-profile alliances, including the Entra 21 Alliance, which targeted unemployed youth; the South America Coffee Corps volunteer program; and the Sustainable Forest Products Global Alliance.

In FY 2003, the GDA Secretariat changed the funding approach and introduced the Annual Program Statement (APS) as a solicitation instrument. It was the first time the APS had been used to solicit development proposals across a range of technical sectors and organizational units. The APS outlined broad criteria for applicants outside USAID. In addition to meeting the criteria, a successful proposal had to win an implementation expression of interest from a bureau or mission. Some resources from the FY 2003 incentive fund were used to expand FY 2002 alliances, but all new alliances it funded were proposals received through the APS. Proposals accepted could be funded from the incentive fund, other bureau funds, or individual mission funds.

Part of the secretariat's role was to inculcate the business model throughout the Agency. Each bureau was to develop an approach for supporting GDA. The secretariat supported in-house outreach and education, providing over a dozen two- or three-day training programs to USAID staff at headquarters and overseas. The secretariat also presented modules on GDA in other USAID training programs. Taken together, this training reached some 530 people. Two other outreach approaches were the online Tool Kit for Alliance Builders and advice and support provided to field missions.

GDA and the Regional Bureaus

In FY 2002, ANE created a $20 million GDA incentive fund and required a 2:1 leverage ratio. At least part of this contribution had to be in cash. ANE staff believed that bigger alliances were more likely to engage senior management and core business interests of private-sector partners. This approach was believed to lead to the greatest levels of partner commitment and impact and the best chances for sustainability. In FY 2002, ANE's incentive fund supported alliances in six countries and two regional alliances. In FY 2003, the fund supported nine alliances with $14 million. In FY 2003, ANE put more emphasis on providing technical assistance to missions during the application process. Indonesia, India, the Philippines, Sri Lanka, and Egypt were among missions receiving assistance.

In FY 2002, the Bureau for Africa set aside $30 million for GDA. Missions submitted over 50 proposals for committee review and 35 were funded. Among them were Ghana's Food Industry Development Program and Zambia's Warehouse Receipts Program. In FY 2003, the bureau took a different approach: each mission was asked to develop alliances. The budget office did not provide mission budgets until a sufficient number of missions demonstrated that they had developed alliances. This became known as the "no alliances, no allowances" approach. The bureau had a GDA coordinator, but did not provide significant technical assistance to missions.

In FY 2002 the Bureau for Latin America and the Caribbean (LAC) set aside $10 million for GDA. Rather than burdening missions with developing proposals, LAC's Office of Development Resources designed four regional alliances that were funded from set-aside resources. These included the Centers of Excellence for Teacher Training and the Mesoamerican Coral Reef Alliance. In FY 2003, LAC attracted the largest share of secretariat funding. LAC set aside another $10 million to fund ideas generated by the APS and expand earlier alliances. Much of the set-aside money was earmarked for environmental programs.

The Bureau for Europe and Eurasia (E&E) was not an active early participant in GDA for a variety of reasons. But E&E now has a comprehensive business plan and a bureau-managed GDA incentive fund at a planned level of $15 million for two years.

GDA and the Pillar Bureaus

The Bureau for Global Health (GH) and EGAT, which have long histories of working with public-private alliances, facilitated GDA's development. In resource terms, GH alliances dwarf other Agency alliances. World-changing alliances have been established in the health sector, though these may not be broadly transferable as GDA models. Some missions benefited directly from GH alliances, but their staff had little knowledge and understanding of the process of developing or implementing them. Some GH alliances reportedly face some of the same procurement obstacles as field alliances, although sometimes on a bigger scale.

EGAT also has a long history of public-private partnerships. There have always been such opportunities in the sectors in which the bureau works. In FY 2002, EGAT supported $10–12 million in alliances, including some of the most visible and innovative in the Agency's portfolio. The Certified Forests and International Markets Alliance and the West Africa Water Initiative were partially funded by EGAT. The bureau has a large and growing number of alliances in development, including the Global Gene Bank Conservation Trust.

EGAT is also responsible for the Development Credit Authority (DCA). The Agency views DCA-funded activities as leveraged partnerships. Not all DCA activities meet the test of being GDA alliances. For example, convincing a local bank to expand its credit window in exchange for USAID bearing 50 percent of the risk does not constitute partnership. Shared management—joint planning and decisionmaking and shared responsibility and risk—is a key factor in GDA alliances.

Partnering with the private sector has long been at the core of the programs of the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA). Work done under DCHA's matching grant program evolved into some of the Agency's earliest public-private alliances. In addition, DCHA sponsored a program designed to identify opportunities for private voluntary organizations (PVOs) to partner with corporations. The program provided training in support of this partnering.

With the end of DCHA's matching grant program and the shift to capacity building for indigenous PVOs, the bureau reports greater challenge in finding promising alliance opportunities. Nevertheless, its leadership strongly supports alliances and actively seeks out new opportunities for them. DCHA has sponsored bureau-wide GDA training and recently issued an RFA that gives additional points to cooperative development proposals that bring in significant private-sector funding. The bureau is also implementing the Capable Partners Program, which is designed to help create local partnerships between business and PVOs.

Phase I Is a Success

GDA is clearly recognized as a priority and broadly accepted by headquarters and field staff. While not every staff member is familiar with GDA concepts and principles, there is sufficient awareness and openness to GDA principles. The survey questions for this assessment were designed to capture respondents' knowledge and understanding about 1) what steps to take to develop a GDA alliance, 2) how to conduct due diligence, and 3) how to develop an alliance under existing procurement regulations concerning competition.

Most respondents expressed confidence in their abilities to develop alliances: 24.1 percent had solid confidence, and another 20.7 percent said they knew exactly or mostly knew what to do.[1] However, 47 percent of respondents expressed much less confidence in their abilities to conduct due diligence. One-third said they understood the procurement process and competition, contradicting information received in interviews. Though survey respondents said they felt comfortable initiating private-sector discussions and scanning the business environment for alliance opportunities, staff who were interviewed said they needed help with these tasks.

USAID staff acknowledge that public-private alliances can achieve development impact. The broad spectrum of respondents felt the private sector is an appropriate partner for USAID and could add value to Agency programs. Though senior managers showed broad support for GDA's potential to achieve development impact, they consistently added these questions:

- Is this the only business model for the Agency, and does it merit continued status as a pillar?
- Should resources such as incentive funds be set aside for alliances?
- How much management attention should GDA have?

Senior managers strongly supporting GDA also stated that the approach needs to be selectively applied. Development impact requires more than one tool, and adjustments may be needed in how GDA is implemented.

[1] One-third of respondents indicated they had very little or no idea what to do to develop alliances, but they were not among staff expected to know about GDA. Nearly all were in missions. Of these, 67 percent were foreign service nationals, and 41 percent characterized their work as support. Another 21 percent were engaged in contract work.

The GDA Secretariat and USAID leaders have rapidly instilled GDA as a viable methodology for achieving the Agency's development objectives. The GDA business model's success at the country level is due in part to the fact that similar public-private partnerships have existed for some time. The original GDA concept deliberately built on this history. Many activities now counted as GDA grew out of years of prior discussion, pilot undertakings, and partnership activities. To demonstrate GDA's newness to Congress and others, the Agency discounted some important efforts already underway.

GDA is a long way from becoming "the" Agency business model. Most do not regard it as a pillar of Agency strategy. Instead, GDA is an evolving and increasingly important business methodology that is taking hold at country, regional, and global levels. Though its potential has not yet fully materialized, GDA's approach is of increasing interest to Agency staff.

What Constitutes a GDA Alliance

GDA comes out of a long heritage of USAID partnering.[2] Since direct-hire staff stopped implementing projects in the 1970s, all of USAID's work is a public-private partnership in one form or another. But GDA means that private-sector partners share risks, planning, responsibility, and decisionmaking. The definition used in GDA training and its toolkit included partnering criteria of shared responsibility, shared decisionmaking, and joint planning, including defining the development problem jointly.

The assessment team considered the participation of private-sector resource partners as the defining factor of GDA alliances, along with greater than normal resource contributions for USAID activities. To be considered a GDA alliance, the private-sector contribution had to be a notable combination of cash, technology, and/or knowledge. The partner had to have proprietary rights to the technology and knowledge, or these had to be unique to the partner.[3] If the knowledge or technology was critical to the development impact, a cash contribution was not required.

The assessment team reviewed 50 alliances in 10 countries, analyzing 25 that met the team's GDA standard. The other 25 were various forms of pre-alliances and projects, not failed or unsuccessful GDA efforts. Some were too new to analyze fully, but offered information on developing alliances and obstacles that may be encountered. Others were excellent development projects with insufficient partnering.

Almost half the 25 alliances investigated began prior to 2001. Most of the others built on relationships and trust already established, though partnerships intensified after the GDA initiative began. Several of the strongest alliances built on preexisting relationships to work in new ways. For example, GDA empowered Indonesia's pre-GDA cocoa alliance to take risks. Royal Ahold's work in Ghana built on established relationships between USAID contractors and grantees and farmer organizations. Royal Ahold's participation provided a sharper focus on export market connections and greater credibility with farmers, greatly enhancing the potential for market development. However, some alliances built from the ground up seemed as strong as those built on longstanding relationships. While USAID needs to acknowledge that good partnerships can take years to develop, the Agency needs the flexibility to respond to opportunities that present themselves unexpectedly.

Who Alliance Partners Are

Alliance partners were placed into four categories:

1. Resource partners provide resources for an alliance.
2. Resource and implementing partners contribute resources and implement an alliance.
3. Implementing partners are paid to provide

[2] Anne Marie Spevacek, *USAID's Experience with Multisectoral Partnerships and Strategic Alliances: An Analysis of Best Practices and Lessons Learned* (Washington, D.C.: USAID, 2001). <http://www.dec.org/pdf_docs/PNACN271.pdf>.

[3] This proviso captures the important alliance criteria of innovations and new ideas. For example, the unique technology and knowledge of *Sesame Street* were critical to a GDA project.

Banking Services in Mexico

GDA funding permitted the Caja Popular, Mexico's largest savings and loan institution, to add remittance payments from family members living in the United States to services provided to clients. When community members come to Caja branches to receive remittances, they are offered other financial services, such as savings accounts and loans. The productive use of remittances is increased, and useful financial services are offered to very low income clients.

services.

4. Beneficiary partners receive the benefits from an alliance and, in most cases, are expected to contribute development impact over time.

Many partnering models appear to be successful. There were approximately 120 instances of partnering within the 25 alliances investigated. There was an average of 4.5 partners per alliance, and the range was broad.

Most instances of partnering occurred in Indonesia and Zambia and the least in the Philippines. In Indonesia, the Sustainable Forest Management Alliance comprised 21 partners, while the Hybrid Corn Production, Procession, and Marketing Alliance (with Monsanto) and the AMORE Renewable Energy Alliance in the Philippines consisted of one partner each. Nevertheless, each alliance had the potential for high impact.

The assessment focused on for-profit private-sector alliances because these reflect the GDA business model. However, the NGO sector is still very active in GDA. There were more examples of partnerships with local, for-profit, private-sector organizations than with multinational corporations. There were also more alliances with multinational NGOs than with local NGOs. This may be attributed to the dual tactic used by missions in alliance building: relying on existing relationships—such as with multinational NGOs—while seeking out new partners and approaches in the local private sector.

Many variations and combinations can lead to successful alliances.

There is no one-size-fits-all approach to building and managing alliances. A number of governance structures seemed successful in specific circumstances. Alliances are relationship based, requiring a degree of trust and understanding that comes from direct and honest communication about each partner's needs and motivations. The best alliances are those where all partners participate actively in the planning from the outset and feel a sense of ownership throughout. All partners should define and record their expectations for development impact, the responsibilities and contributions of each, and how expectations and responsibilities will be monitored.

Sectors Where GDA Alliances Occur

Some sectors have lent themselves more readily to public-private alliances than others. All but one of alliances studied were in economic growth, agriculture, and environment.[4] These are the sectors where USAID has the skills and relationships. The availability of earmarked funds may have influenced activity selection. The ANE incentive fund was largely earmarked for environmental alliances, and LAC alliances also used environment funds. Furthermore, in the environment sector, contacts and relationships with the for-profit private sector that furthered GDA alliances had already been developed in the United States-Asia Environmental Partnership (USAEP). GDA-level environmental alliances in South Asia tended to be a direct result of USAEP's work.

Some sectors have been a less natural fit with alliance building, particularly within the mission context. In the health sector, there is longstanding experience with public-private alliances managed from USAID headquarters. Centrally funded health alliances relate to development issues that can be

[4] Many alliances combined all three. Of 25 alliances studied, 22 were economic growth (including agriculture), 2 were environment (without significant economic growth components), and 1 was health. About three-quarters of activities in the prealliance and project group were a combination of economic growth, agriculture, and environment. There were four education activities and one governance activity within this group.

addressed globally, including availability and affordability of vaccines, medicines, and treated bednets. In mission health programs, strategies tend to focus on system-wide institutional change and reform in the public sector. In 10 countries investigated, only one GDA health alliance was identified: the Northern Border Trauma Center in Mexico.

Governance and education alliances may take longer to organize and achieve impact than alliances in other sectors. In the education sector, prealliance projects reviewed included the Scholarship for Success in Morocco, the Center for Excellence in Teacher Training in Latin America, the Quality Education and Skill Training activity in India, and the new education initiative in Jordan. Governance was included in two alliances. The Papua Bird's Head Alliance in Indonesia included governance and civil society capacity building, along with economic growth, environment, and health. A pre-GDA project, the Cities Alliance in Tetouan, Morocco, has potential to support decentralized governance.

Resource Contributions and Leverage Ratios

The size of alliances—the level of resources invested and their leverage ratios—has been emphasized to the point that they have come to define a GDA alliance. A leverage ratio of 1:1 was the threshold for inclusion in the GDA database. This caused some friction when offices and missions felt they had accomplished other criteria—new partners, innovations, joint planning—without necessarily achieving required leverage ratios.

When the initiative was new, such tracking of resources demonstrated momentum and provided a concise way to define and promote GDA alliances. However, leverage ratios are not an effective definition. They may undervalue technology and knowledge contributions as well as the creative design synergies fostered in strategic partnerships. Rather than focusing on the quantity and nature of inputs, a more inclusive and flexible approach would be to focus on the developmental impact of GDA alliances. This requires greater emphasis on monitoring and evaluating results.

Timber Alliance, Indonesia

Indonesia's tropical rain forests are being lost at an alarming rate, mainly due to the demand within Asia for timber and pulp. Two-thirds of logging in Indonesia is illegal, but law enforcement is ineffective. The military and government are responsible for a large percentage of the logging. The Sustainable Forest Management Alliance in Indonesia provides an opportunity to approach the problem from a new angle—the demand side—by encouraging major retailers (such as IKEA, The Home Depot, and Lowe's) to exclude illegally cut timber from their supplies. USAID also works with Japan and China, which are important markets for Indonesian timber.

The assessment team used resource contributions to calculate leverage ratios, though the methodology was fraught with problems. Data relating to private-sector resources were not accurate or consistently developed. Reasonable professionals disagreed on what should be counted as resource contributions. Numbers were not comparable from one mission or alliance to another.

In-kind contributions—estimated values for staff time, travel, per diem expenses, and office space—were part of the calculation if they were the only contribution from resource partners. However, partners' overhead and money received from other donors or as grants were not counted. The team included estimated costs of project management as resource contributions only if the costs were incurred specifically for the alliance. The team counsels against alliances that rely too heavily on in-kind contributions. Partners are more committed to the success of the alliance when cash is on the line.

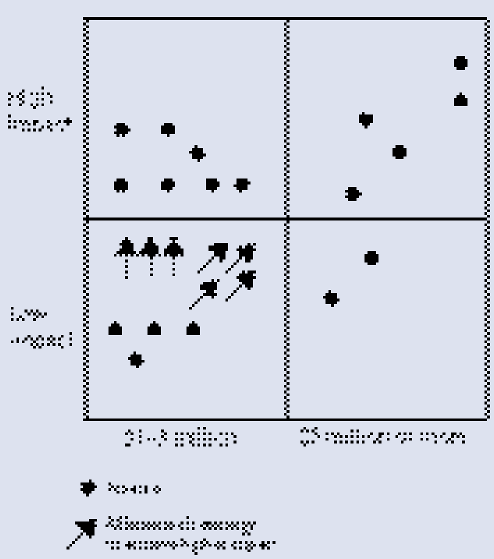
Development Impact and Sustainability

Large alliances with cash contributions engage senior management and the core business interests of private-sector partners. On balance, these provide the best models for high impact and sustainability. This drive is most apparent in ANE, one of the first bureaus to take up the GDA initiative.

Alliances with the most potential for sustainability were those in which the private sector seemed to have a strong motivation to invest. This was particularly true of resource-based, extractive industries. Oil, cocoa, mining, and timber companies cannot simply move elsewhere. Their stake in the community makes investment their best choice. Still, private financing cannot guarantee sustainability. Resource contributions for one Asian alliance were delayed, perhaps due to Chapter 11 filing by the U.S. private-sector partner. And within the prealliance group, some private donors did not fulfill commitments.

The assessment analyzed the level of impact each alliance was designed to achieve in relation to the level of resource contributions. Resource contributions included all non-U.S. Government resources reported, including estimates of in-kind contributions. Of twelve high-impact alliances, five had high resource contributions. Three of the five were regional alliances, and four of the five were in Asia.

Development Impact and Partner Resource Contribution



The five high-impact alliances with high resource contribution were the following:

- Indonesia Sustainable Forest Management Alliance, which aims to sustain the country's tropical rainforest
- (Indonesia) Papua Bird's Head Alliance, which is helping establish a well-planned economic boom by generating employment and income, managing environmental resources, and providing increased access to services
- Philippines Cleaner Fuels Alliance, which includes an innovation with the potential to drastically lower toxic emissions from diesel fuel
- West Africa (Ghana) Sustainable Tree Crops Alliance, which seeks to raise cocoa farmers' incomes and reduce child labor
- India Livable Communities Initiative, which is developing designated high-occupancy bus lanes in Delhi and purchasing 30 buses that use clean fuels

Seven high-impact alliances had lower resource contributions:

- Indonesia SUCCESS Asia (Cocoa) Alliance
- Mexico Remittances for Economic Growth Alliance
- Mexico portion of the Central American Coffee Initiative
- India Solar Finance Capacity Building Initiative
- Sri Lanka Air Pollution Reduction Alliance
- Ghana Food Industry Development Program Alliance
- Ghana Sea Freight Pineapple Exporters

Four of twelve high-impact alliances were centrally designed, multicountry alliances. In this model, the alliance relationship is developed and nurtured by the Agency's technical leaders, including the GDA

Secretariat. Technical staff then hammer out with industry representatives a framework for development interventions. The alliance then gets "marketed" to missions where the strategic fit is good and staff can support in-country implementation. This model of alliance design offers maximum payout for the time it takes to develop an alliance and significant potential impact. It can attract private-sector players with substantial resources, and it offers transnational reach.

Nine of fifteen other alliances had discernible strategies for becoming high impact. But two low-impact alliances with high resource contributions had no such strategies.

Creating and Managing Alliances

Procurement and Competition Challenges

Procurement and competition were the most frequently identified challenges in building alliances. GDA does not fit existing procurement models. Many USAID processes are rigid and slow; negotiating with the private sector requires flexibility. Early alliances suffered the longest delays, while exceptions and variations on procurement and legal problems were identified and addressed. Alliance managers said they spent more time in dialogue with contract officers and lawyers than in other procurement activities. The dialogue was further complicated when a contracting officer was not experienced or in the same location as an alliance. However, the contract officer corps has been building understanding, and time delays are decreasing.

Although GDA planned for reform of Agency procedures, USAID's contracts office continued to follow standard regulations. The office identified problems and crafted exceptions on a case-by-case basis, though consistency in procurement decisions is essential to missions planning and developing alliances. Policies and regulations that are more supportive of the unique qualities of GDA are needed.

GDA has inherent conflicts with full and open competition. Some mission staff were concerned that seeking out private-sector partners called into question fair and open competition. They thus reacted to opportunities rather than seeking them out. These missions also tended to fit alliances into normal USAID procurement models. More than a third of the alliances studied had cooperative agreements, a de facto best practice for dealing with difficult competition issues. Though some cooperative agreements provided support in the best way possible, in many cases they distorted the balance of responsibility.

Some competitive procurement regulations also conflict with the need for continuity after alliance relationships are established. The procurement cycle—prescribed deadlines for contracting in a given year—impeded the development of some GDA alliances. Zambia lost two partners while waiting for USAID procurement actions to work their way through the cycle. A longer "life of project" as an accepted practice for alliances could make a difference.

Because USAID is precluded from signing legally binding memoranda of understanding (MoU), some contractors or grantees signed MoUs with private-sector partners. This puts the Agency at arm's length to the partnerships. Without shared responsibility and decisionmaking, such alliances will become a variation on USAID programming, but with extra GDA rhetoric.

The obstacles inherent in the Agency's usual practices also affect technical bureaus. Several global alliances—such as GAIN and the Cities Alliance—used the World Bank for fiduciary responsibility. Though this creative approach solved legal problems in the short term, some real problems emerged.

Approaches to Initiating Alliances

The APS mechanism for soliciting alliance ideas played a role in a number of alliances. Staff cited instances where contracting went more smoothly because the process met U.S. Government competition requirements. However, some partners in high-impact alliances would not have responded to the APS. Other respondents thought the APS exacerbated the problem of missions being held responsible for activities they had not initiated.

GDA alliances were also initiated by the local private sector and multinational corporations. In Ghana, all alliances were initiated by interests outside the mission. The West Africa Sustainable Tree Crops Alliance was initiated by the cocoa industry. The World Cocoa Foundation collaborated with the international agricultural research community to develop a regional program of research and extension to support more environmentally sustainable cocoa production. This alliance won USAID's participation as a result of a series of planning workshops conducted at the industry's expense in 1999–2000. The first step was bringing in leaders in industry and research to shape the program's parameters and create a broad programmatic framework. Then governments and donors were brought in to help define how to make these ideas operational. A fruitful approach for global or multicountry alliances appears to be developing a coherent strategy and then building ownership for it by successively bringing in all stakeholder groups.

In Zambia, GDA training was open to private-sector partners. The mission asked all teams to identify potential partners and invite them to a workshop that introduced GDA concepts, offered success stories, and addressed corporate social responsibility. The workshop attracted 117 participants. The U.S. ambassador was the keynote speaker and the minister of finance the chief guest speaker. Other participants included representatives from banks, government, the mining sector, microfinance, small and medium enterprises, farmers' associations, and NGOs. There was good media coverage, and the workshop fostered relationships with new partners. Though this workshop could be used as a model for finding GDA partners, not all contracting officers viewed it as an adequate means of competition.

Because mission staff time is scarce, it seems logical to delegate responsibility to contractors or grantees. However, issuing RFAs that give extra points to bidders who bring in private-sector partners may not be the most effective method of developing sustainable alliances. Delegating such tasks to contractors has the appearance of business as usual. Further, having USAID contractors (or contractor-like entities) "beating the bushes" for private-sector partners is less likely to successfully engage the core business interests of the private sector and gain the commitment of its senior managers.

Communication

Frequent and open communication was repeatedly cited as an important factor in the ongoing success of alliances. The right kind of communication builds trust, gets issues resolved, and sustains energy and commitment. Strong communication in early stages helps USAID understand the motivations and decisionmaking processes of private-sector actors and potential areas for overlapping objectives. Communication is the currency of alliances. Early and open communication between Agency headquarters and the field contributed to some of the strongest alliances. Communication between mission staff and the secretariat is also important. It conveys corporate leads, the energy and excitement of the new way of doing business, and helps missions keep up with the latest thinking.

Patterns of communication can reflect shared responsibility and decisionmaking. For example, partners in the Cleaner Fuels Alliance in the Philippines are competitors who communicate infrequently. USAID enhances communication, serving as a buffer and liaison. The AirMac Air Pollution Reduction Alliance in Sri Lanka was characterized by interaction between partners, though coordination and communication centered on USAID. The Solar Finance Capacity Building Initiative in India is implemented by a local affiliate of a U.S. contractor, but USAID maintains a strong advisory role and serves as cheerleader, moderator, negotiator, and convener between banks, agencies, and evaluators. The level of partner investment in Energy Wise India is more modest and cautious. Communication problems have resulted because the alliance is implemented more unilaterally and the project manager is located in Washington, D.C. The mission's involvement in the ongoing communication and relationship building contributes to making the Solar Finance Capacity Building Initiative a potentially stronger alliance than Energy Wise India.

Monitoring and Evaluation

Monitoring and evaluation (M&E) systems are needed to capture the impact and key lessons of GDA alliances. But most lacked baseline data and processes to obtain information about how they are functioning. This makes it more difficult to make midcourse corrections or assess impact. The dearth of good information on effectiveness and impact leads to more pressure to report on resources and leveraged contributions.

Because GDA emphasizes new partners and new approaches, more resources need to be invested in M&E. Instead, USAID missions expected implementers to monitor and evaluate GDA alliances, using annual reporting processes and normal implementation mechanisms. However, these are not likely to measure anything directly relevant to public-private alliances. One of the best approaches was to allot a portion of the funds to an independent contract for M&E. USAID expanded the M&E budget for the Indonesia Sustainable Forest Management Alliance after the U.K. Department for International Development, a potential partner, suggested building in a bigger M&E component. Implementing partners then contracted a research institute to handle an M&E system that allows each partner to find out how much of its contribution is going toward timber tracking and the amount of wood it saved. Similarly, the Solar Finance Capacity Building Initiative in India retained a separate partner to conduct M&E and impact-level evaluations at various points in the project cycle.

Mission Support for Alliance Building

Missions with sufficient budgets, staff, and leadership have the time and resources to initiate and develop alliances. Most missions visited—notably Indonesia and the Philippines—were in this category. By contrast, some smaller missions were particularly creative and active in alliance building. Smaller missions tended to dwell on money made available by incentive funds. Incentive funds set aside from FY 2002 and FY 2003 budgets encouraged missions to build alliances and, in some cases, repackage old work.

Secretariat-conducted training was valued by attendees. Private-sector panels were valued the most. Examples of alliances, ideas for future alliances, procurement and legal issues, and introductory materials were deemed informative and useful.

The GDA Secretariat developed an online handbook, the *GDA Toolkit for Alliance Builders.* Though many staff were unaware of its existence,

Indonesia Smallholder Cocoa Production

In 1995, the U.S. Department of Agriculture (USDA) started a program with the World Cocoa Foundation, Masterfood, and Hershey to increase the quantity and quality of smallholder production through combating cocoa pod borers and funding farmer field training. The SUCCESS program started in 2000, while the private, nonprofit organization ACDI/VOCA was already working with industry partners. In early 2002, as the USDA program was about to end, the cocoa industry saw an opportunity to link with USAID. The cocoa industry had representatives in Indonesia to buy cocoa and interact with processing plants. ANE brought in a network of newer partners such as Archer Daniels. USAID/Indonesia submitted a proposal to ANE for incentive funds, and the Cocoa Alliance was officially launched in June 2003. As a result, industry is already beginning to see improvements in yields, quality, and increased farmer incomes. The GDA model has also sparked ideas for other activities, such as how manufacturing plants and universities can work together to make cocoa production in South Sulawesi more sustainable.

those who were found its sample MoU particularly useful. Staff also consulted the handbook's section on due diligence. Technical assistance in initiating and building alliances was also assessed as very useful, but missions reported they wanted more assistance than was available.

The training that introduced the GDA business model to Agency staff was a good start, but should be continued and enhanced. Participants were supposed to share what they learned with mission colleagues, but this plan did not always succeed. Capacity building, in-depth learning, mentoring, and technical assistance are needed. In Zambia, GDA offered a different training program that included potential private-sector partners. Those attending the training workshop were better informed about the potential for USAID alliances. This approach could be useful.

Support for Champions and Risk-Taking

When senior managers support the energy and creativity of GDA champions, risks are taken and innovative alliances result. When their bureaus support them, mission directors are more willing to take risks. In turn, mission staff are more willing to take risks when supported by their directors. GDA models were more successfully integrated into operations when mission directors rewarded risk-taking and recognized that alliances take time and effort. Another key factor was the presence of GDA champions within the mission. One or the other—champions who offer powerful advocacy or leadership-level engagement and support—is the minimal requirement for a mission to implement alliances. Having both resulted in the most successful alliances.

Direct Involvement of USAID Staff

The strongest alliances reduce USAID's management burden. Citing the Food Industry Alliance, the USAID/Ghana mission director reported, "When you have a partner who has commercial interests at stake, alliances drive themselves." The mission reaped the benefits of the time invested in negotiating overlapping goals with the private-sector resource partner. However, USAID/Sri Lanka managed alliances; it was unwilling to use limited resources to pay for implementation and preferred direct involvement. A concern was expressed about losing the "closeness and spirit" of an alliance if the Agency relied on an implementing partner.

Procurement and competition problems, along with lack of staff, encourage USAID missions to delegate alliance building to contractors. This can reduce GDA alliances to "business as usual." Successful alliances require shared planning and identification of shared objectives, which are beyond the negotiating authority of contractors and grantees.

Further, private-sector partners often want access to top USAID officials—for advice as well as the sake of credibility with host governments. Alliances with policy implications also require USAID's close involvement. Partners in two alliances—Solar Finance Capacity Building in India and Sri Lanka's Ecotourism Alliance—testified that establishing a relationship with the U.S. Government made the alliance a valuable investment. In other cases, the role of the U.S. Government was not attractive. One multinational corporation said it had no interest in partnering with the U.S. Government: it was above partnerships with bilateral agencies. In Jordan, the manager of a Ministry of Education information and communication technology initiative stays at arm's length from USAID/Jordan.

Knowing the Country

Many missions noted that familiarity with the business practices of a country is essential. Though a handshake is binding in Asia, it is not in other cultures. For example, the Scholarships for Success in Morocco, managed by a small NGO, wrongly counted on a verbal commitment from a multinational's local affiliate for $30,000 for each of three years, but received only the first $30,000. For this reason, written GDA agreements should spell out planned development impacts and the roles, responsibilities, and contributions of partners.

A full-time resident technical advisor learns about country conditions, makes informed decisions on the spot, and can deal with issues and problems promptly. For example, Royal Ahold's marketing expert for the Ghana Food Industry Alliance spoke with authority to producers and modeled private-sector business practices and standards.

All development activities need to be crafted to specific circumstances. Joint planning means partners come to a common understanding of a local problem and work together to plan the best possible solution in that location. Layers of individuality are added by each partner's objectives and styles.

Recommendations on Moving to Phase II

The Agency needs to share ownership of the GDA business model. To develop its potential and enter Phase II requires significant modifications for the mandate and structure of the GDA Secretariat. Its role should be divided among the mainstream functions of the Agency. This would engage a wider talent bank of staff resources, strengthen the depth of the involvement within operating bureaus, and continue the permeation of GDA concepts into the Agency's thinking on development.

Since it reports directly to the Administrator's office, the GDA Secretariat could be perceived as a political unit. While this gives GDA visibility and attention, it also makes the secretariat—and the GDA initiative—vulnerable to administrative turnover. To internalize the public-private concepts of GDA into the mainstream structure of the Agency, the team recommended that the GDA Secretariat be phased out over a reasonable transition period.

To make GDA an integral business model, engagement on a much broader front is required. GDA needs to be included across key functions in a way that encourages involvement and ownership at the many levels of Agency operation. At a minimum, this should occur in four areas: strategy, funding, obtaining services, and human resources.

Strategy

As a means of achieving development impact, GDA should be emphasized as a specific priority of USAID strategy. It should be highlighted more explicitly in the joint strategic thinking of the Department of State and USAID, strategic frameworks of regional bureaus, and country strategic plans.

The team recommends that PPC's Office of Policy or another appropriate PPC unit should add "strategic support for GDA" to its mandate. The office should develop an action plan within 90 days to more explicitly incorporate GDA into the Agency's strategic approach. Policy leaders need to develop clear guidance around achieving results and results reporting with GDA. PPC-developed guidelines for monitoring, evaluating, and reporting on the developmental impact of GDA will enhance the shift in thinking.

Funding

Incentive funds were useful in GDA's startup phase and tangibly demonstrated the commitment of Agency leadership. Now two predictable reactions have set in. First, new alliances get funding while those already designed move into crowded operating year budget plans of regular mission funding. Second, money outside normal channels may not be regarded as core to mission strategies. Incentive fund money may not have the same level of mission ownership. It is frequently perceived as a way to fund an otherwise nonstrategic activity.

This assessment recommends that GDA incentive funds be eliminated, except for a small reserve of unallocated funds for very high priority GDA opportunities. Some seed capital may be required for new, unanticipated alliances. If a new GDA opportunity is so good that it is an Agency priority—not just a mission or bureau priority—it should withstand the scrutiny and competition required to gain access to this kind of high-level reserve.

The Agency's best interests do not lie in creating yet another internal funding constraint. Missions are already hamstrung by earmarks, requirements, directives, and other funding limitations. Instead, GDA should be made a policy practice. This means removing procurement obstacles that make building alliances difficult. It also means providing the support and technical assistance that missions need to develop good alliances and holding mission directors accountable for following Agency guidance.

Obtaining Services

Established concepts of grants and contracts do not meet new Agency needs. USAID should devise a new way of entering into alliances that is independent of existing grant and contracting regulations. This may require legislation or, more simply, an amendment to the AID Acquisition Regulations. The obligation of funds via contracts, grants, and cooperative agreements is not yet a critical bottleneck, thanks to creative use of the APS and grant and cooperative agreements. However, these workarounds may not be sustainable.

Using traditional solicitation documents to award alliance-based cooperative agreements can cause problems. USAID may not reach the private sector and nontraditional alliance partners it seeks. Serious resource partners want a tailored, specific negotiation, whether or not an implementing partner brings them to USAID. Alliances clearly in the interests of the U.S. Government need to be funded using more dynamic and flexible procurement processes.

Leveraging resources is a clear benefit to the government. But this practice needs to be evaluated on its own merit, not squeezed under existing rules. At present, leveraging is not the basis for a noncompetitive action. Moreover, in-kind resources are hard to value correctly and comparably. The Agency should be able to determine government best practices and adapt them to fit its unique needs.

Some consistency from procurement officers should be possible. Missions trying to copy best practices of other missions have run into opposition from contracting officers. For example, a workshop that invited private-sector partners was considered adequate competition in some cases and rejected in others. Since the Policy Division in the Office of Procurement is overworked, it may be worth contracting out the solution to these problems caused by inconsistency.

A related issue is that MoUs among GDA partners are not legally binding documents. However, incorporating specific terms into alliance agreements that clearly identify the roles and responsibilities of parties would help alliances achieve desired developmental goals.

Human Resources

The Agency should pay more attention to the recruitment, training, motivation, and advancement of GDA champions. In order to address the skill set needed to develop good alliances, the Office of Human Resources emphasizes the ability to manage resources. This may not go far enough. The Agency needs more staff who are familiar with —and comfortable dealing with—the productive private sector. Adding alliance-building skills to the recruitment skills matrix would be helpful. Alliance building requires facilitation and resource management skills and the ability to work with others bringing their own resources, objectives, and requirements to partnerships.

The Agency has established two GDA awards and has tried to give credit to GDA builders. This effort should be continued and strengthened. Notable alliance builders could be in the bonus pool. There are concrete ways to motivate behavior outside the award system; all possibilities should be explored. The Agency should also offer GDA champions good onward assignments with advancement potential and seek them out for highly competitive assignments.

GDA-specific training needs to focus more on "how to." Instead of treating GDA as a separate, new initiative, the Agency should include it as one alternative option for achieving its objectives and offer training that will make it work. GDA best practices, skills, and approaches should be incorporated into orientation for staff with program management responsibilities. Junior staff require clear guidance and training that promotes mainstreaming GDA.

Advocacy

The evaluation team recommends that a deputy assistant administrator (DAA) position be established to be GDA's advocate. This would retain the prominence of GDA among USAID's priorities as well as the energy and drive provided by the GDA Secretariat.

The advocacy, representational roles, and reporting functions for GDA might be housed in LPA. This bureau is the point of contact with many elements of the private sector, and is responsible for public outreach. Another option is to create an office that incorporates GDA, other innovative relationships, and public outreach. In effect, this would mainstream other parts of the Agency into the concept of public-private partnerships. In addition, university relations, NGO relations, and other partnerships would receive the kind of attention that GDA has brought to alliances with the private sector.

The advocate would be the central point of contact for GDA. Top-level and center-driven internal support ensures consistency of message and promotes greater coordination and partnership possibilities. The advocate's role would ensure that one GDA face is presented to the rest of the government, including Congress. The advocate would actively promote and continue to spread GDA principles throughout the Agency. The advocate would also explain the value and potential of alliances to missions and encourage them to invite private-sector participation in their activities. Finally, the advocate would be the main interlocutor between USAID and the private sector, assuming responsibilities for proactive outreach, marketing, and networking. Having a central GDA organization to communicate with multinational corporations and global organizations is important, since multiregional partnerships affect multiple missions and bureaus.

The advocate could negotiate large-scale alliances with private-sector partners, working closely with implementing arms of the Agency or delegating such actions.

Alliance Support

Some USAID missions feel that the GDA Secretariat has been focused more on "its" alliances than on supporting missions to develop their alliances. During Phase II, GDA activities by missions should receive central support. A field-support focus makes sense. Requiring the advocate to serve missions as a technical expert in GDA deepens the advocate's role. In addition, field support would require the formation and maintenance of an Agency-wide network to guide alliance building.

An Alliance Support Office (ASO) could be housed in EGAT. Wherever housed, the office should be assigned several key functions. It should become the GDA expert within USAID. The ASO would disseminate information and expertise to missions, including technical assistance on how to establish alliances. ASO staff could assist cross-mission support efforts, including making mission-based champions available to provide advice and counsel. The ASO should create a centralized repository of information and expertise on alliance building and private-sector involvement in development. It should collect best practices from missions and the private sector, compiling them into a centralized form. The ASO should then institute a knowledge management system, including computer databases and websites. The ASO should maintain this system and market its use to missions.

To this end, the ASO would formalize a support network to help missions establish and run alliances. This network would include GDA champions—staff who know how to establish and implement alliances. The network would include experts on the private sector and staff at regional bureaus dedicated to fostering alliance building. The ASO would cultivate these experts, encourage staff to become GDA champions, and convince regional bureaus to develop their own experts. An informal mentoring system between missions—or from ASO to missions—could be formed and encouraged.

As noted, USAID management discussed the findings and recommendations from this assessment and is collaborating to act on them. USAID will implement most assessment recommendations. The Agency is

- fully integrating GDA into standard Agency operations and planning
- developing a new procurement approach for GDA alliances
- improving monitoring and evaluation

Management supported the idea of moving away from Washington-based incentive funds over time. But it will leave decisions on incentive funds to regional bureaus and maintain a modest reserve fund in the GDA Secretariat through FY 2006. Findings from this assessment also include phasing out the GDA Secretariat and moving GDA functions from the Administrator's office to USAID bureaus. After reviewing various options, USAID management decided to maintain the current structure until the GDA approach can be more fully mainstreamed within the Agency and because it continues to provide the private sector with a one-stop entrance into USAID. ■

Appendix: GDA Alliances Investigated

Location	Alliance	Partner Contributions ($ million)	Development Impact
Africa			
Zambia	Fresh Vegetable Exports Alliance	1–3	
	Milk Collection Centers Alliance	1–3	
	Copperbelt Economic Diversification Alliance	1–3	
	ICT Skills Building Alliance	< 1*	
Ghana	Food Industry Development Program Alliance	1–3	High
	Sea-Freight Pineapple Exporters/ Atomic Energy Commission Alliance	< 1	
	Sustainable Tree Crops Alliance	> 3 **	High
Asia and the Near East			
Philippines	AMORE Renewable Energy	> 3	High
	Cleaner Fuels to Reduce Vehicle Emissions	> 3	
	Hybrid Corn Production, Processing, and Marketing	< 1	
Indonesia	Papua Bird's Head Alliance (Biodiversity)	> 3	High
	SUCCESS Asia Alliance (Cocoa)	1–3	High
	Sustainable Forest Management Alliance	> 3	High
India	Green Business Center	> 3	
	Solar Finance Capacity Building Initiative	1–3	High
	Livable Communities Initiative	> 3	High
Sri Lanka	Air Pollution Reduction Alliance	1–3	
	Alliance Supporting Environment and Community Through Ecotourism (SENCE)	1–3	
Latin America			
Peru	Huancavelica Economic Service Center	1–3	
	Sustainable Forest Products Global Alliance	< 1	
	Cordillera Azul National Park	1–3	
Mexico	Remittances for Economic Growth Alliance	< 1	High
	Northern Border Trauma Center	1–3	
	Certified Sustainable Products Alliance	< 1	
	Central American Coffee Initiative	< 1	High

* This is the Zambia portion of a much bigger alliance.
** This is the total amount for all countries.

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